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No. 00-1291

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

ARCHER-DANIELS-MIDLAND COMPANY,
Petitioner,

v.

AJINOMOTO COMPANY, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF OF PETITIONER ARCHER-DANIELS-MIDLAND COMPANY

ARI S. ZYMELMAN
Counsel of Record
ELIZABETH B. LIN
WILLIAMS & CONNOLLY LLP
725 Twelfth Street, N.W.
Washington, D.C. 20005
(202) 434-5000

Attorneys for Petitioner Archer-Daniels-Midland Company

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20001

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This Petition is not about the intricacies of genetically engineered bacteria, patent validity and infringement, or a chain of assignments from the Soviet State to Ajinomoto. The first issue on which review is sought presents a basic question of standing: whether Soviet law abolishing private property can override Congress's determination of who owns a U.S. patent. The second issue is whether patent infringement damages may be awarded on non-infringing product. Contrary to Ajinomoto's assertions and attempts to obfuscate, neither issue is fact-bound or of limited importance. The standing and damages decisions below were clearly wrong and establish new legal principles that conflict with the Patent Act, the jurisprudence of this Court, and fundamental principles of property rights and fairness that undergird our legal system.

STANDING

1. Ajinomoto's principal response on the standing issue is to deny that the ruling below improperly conflicts with the Patent Act's requirement of a written assignment from the original patentee to confer standing on a purported successor in title. *See* Opp. at 14-16. But Ajinomoto admits that the Court of Appeals used its interpretation of Soviet law to replace the Patent Act's requirement of a written assignment from the fourteen inventors to the Soviet State because it was "unnecessary" under Soviet law. *See* Opp. at 16. Ajinomoto argues that because the Patent Act provides that patents have the attributes of personal property, Soviet property law could transfer ownership of this U.S. patent to the Soviet State without regard to the writing requirement of the Patent Act. In essence, Ajinomoto argues that because Soviet law did not recognize the personal property rights of the inventors in the '765 patent rights conferred by the Patent Act, neither should the courts of the United States. But U.S. courts are not supposed to give extra-territorial effect to a foreign state's confiscation of U.S. property, even if directed against foreign nationals. *See, e.g., Maltina Corp. v. Cawy Bottling Co.*, 462 F.2d 1021, 1025 (5th Cir.), *cert. denied*, 409 U.S. 1060 (1972). It would be particularly antithetical to the purposes of the Patent Act, which is meant to reward inventors, to allow a foreign regime's confiscation of inventors' property to confer title and standing to sue in U.S. courts upon another party.

In any event, Ajinomoto's argument rests on a hollow foundation of misleading or irrelevant citation. Ajinomoto selectively quotes and relies upon the part of Section 261 of the Patent Act that says that patents shall "have the attributes of personal property," *see* Opp. at 15, but it misleadingly omits the key modifying phrase that these attributes are "[s]ubject to the provisions of this title"—including the requirement that patents "shall be assignable in law *by an*

instrument in writing." 35 U.S.C. § 261 (1994) (emphasis added).

Ajinomoto then cites a series of cases that allegedly used "non-patent law to resolve issues of standing in a patent infringement case." Opp. at 16. But none of these cases involved the use of "non-patent law" to do away with the requirement of a written assignment or to contravene any other requirement of the Patent Act. In each case that Ajinomoto cites where standing was at issue,[1] the record reveals a written assignment; state law was consulted only to interpret the writing, not to supplant the requirement that at a minimum the assignment take the form of a writing. *See Waterman v. Mackenzie*, 138 U.S. 252, 255-56 (1891) (plaintiff had assigned patent to his wife, in writing; New York law consulted only on validity of contracts between husband and wife); *Ortho Pharm. Corp. v. Genetics Inst., Inc.*, 52 F.3d 1026, 1030 (Fed. Cir.) (California law applied to interpret specific term within written license agreement that "has the effect of an assignment and, thus, satisfies the statutory [Patent Act standing] requirement"), *cert. denied*, 516 U.S. 907 (1995).

Ajinomoto relies most heavily on *FilmTec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568 (Fed. Cir. 1991), as precedent supporting the Court of Appeals' use of Soviet law to override the written assignment requirement. *See* Opp. at 16-18. But to the extent the *FilmTec* case is relevant, it supports the Petition. In the very passage of the *FilmTec* opinion that Ajinomoto quotes at length in its opposition, the court stated that the inventor, Cadotte, would have effectively assigned his rights to the patent in suit to MRI *if* his (written) contract with MRI had contained a provision expressly granting those rights. Because there was no specific proof of such a writing

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[1] *Intel Corp. v. United States International Trade Commission*, 946 F.2d 821 (Fed. Cir. 1991), does not address the written assignment requirement or any other standing issue.

in the record, the *FilmTec* court concluded that it could not determine whether title to the patent had been transferred from the inventor to MRI (thus depriving FilmTec of standing because the inventor had already assigned the patent to another party). *See id.* at 1573. The *FilmTec* court thus followed the precise rule under the Patent Act with which the opinion below has now dispensed: a valid assignment in writing is required to confer standing on a purported assignee.[2]

In sum, Ajinomoto fails to identify any precedent or rationale why the Court of Appeals should be allowed to dispense with the written assignment requirement of the Patent Act and confer standing by way of the purported operation of Soviet law. Ajinomoto similarly fails to offer any substantive response to the litany of problems that will flow from the use of foreign law to determine rights under a U.S. patent, *see* Pet. at 16-18. Ajinomoto's sole response is to assert that some past decisions rejecting use of foreign law in patent cases did not involve standing, *see* Opp. at 18-19, without explaining how using foreign law to determine standing to sue on a U.S. patent is any simpler or more acceptable than using foreign law to override other provisions of the Patent Act. Nor does Ajinomoto address this Court's decisions on the subject. *See, e.g.*, *Waterman*, 138 U.S. at 261 (holding that "[i]n the light of our legislation and decisions, *no weight* can be given to" an English decision

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[2] The Federal Circuit ultimately resolved title to this patent on the basis of the Federal Nonnuclear Energy Research and Development Act ("FNERDA"), which expressly committed the type of invention in question to the public domain by requiring all such patents to issue to the United States. *See FilmTec Corp. v. Hydranautics*, 982 F.2d 1546, 1553 (Fed. Cir. 1992), *cert. denied*, 510 U.S. 824 (1993). This subsequent decision simply confirms that a would-be plaintiff must have valid title to bring a patent infringement action and that the question of rights in an invention is one for Congress to resolve—whether through the Patent Act or another, subsequently enacted statute (like FNERDA).

recognizing plaintiff's standing to sue for patent infringement under English statute) (emphasis added).

2. Ajinomoto also contends that this Court should not review this case because there really was a written assignment from the inventors—despite the fact that no record or testimony showing such an assignment was ever offered or admitted into evidence. *See* Opp. at 19-22.[3] Ajinomoto asserts that because a document that purported to be such an assignment was recorded in the PTO, its "existence" cannot be contested. *See id.* at 19. But the mere *existence* of a document purporting to be an assignment is irrelevant. The question is whether the document was *authentic*. *See* Fed. R. Evid. 902(a), 1001-1005.[4] And contrary to Ajinomoto's assertion that "ADM would have to prove that Ajinomoto lacked standing," Opp. at 20, the burden to prove standing—i.e., that the inventors had assigned the '765 patent in writing—was Ajinomoto's. *See, e.g.*, *Lewis v. Casey*, 518 U.S. 343, 358 (1996) ("Since they are not mere pleading requirements, but rather an indispensable part of the plaintiff's case, each element [of standing] must be supported in the same way as any other matter on which the plaintiff bears the burden of proof . . . .") (first alteration in original) (quoting *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561 (1992)). Even without the District Court's finding that the signatures of these inventors had been falsified on declarations in support of the '765 application, *see* A. 116a,

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[3] Ajinomoto attempts to further confuse the issue by discussing at length the various licenses it received from various arms of the Soviet government. *See* Opp. at 3, 6-7, 20-21. But without proof that the fourteen inventors had assigned the patent in writing to the purported licensors, none of these licenses could give Ajinomoto standing.

[4] It is undisputed that the purported assignment lacked the certificate of acknowledgment under seal that is required to make it prima facie evidence that an assignment had been executed, *see* 35 U.S.C. § 261, and which would have made the document self-authenticating. *See* Fed. R. Evid. 902(8), (10).

Ajinomoto had the burden to prove the authenticity of any assignment from which it claimed title.[5]

Ajinomoto's alternative argument that the District Court could have taken judicial notice of this purported assignment, *see* Opp. at 21-22 & n.11, is specious. As this Court recognized in *Massachusetts v. Westcott*, 431 U.S. 322 (1977), a judicially noticed fact must satisfy the requirements of Fed. R. Evid. 201(b).[6] The fact in that case—that Coast Guard records showed the Coast Guard had issued a license to one of the parties—was "not subject to reasonable dispute"; moreover, all parties involved agreed to the propriety of judicial notice in that case. 431 U.S. at 323 n.2. Neither *Westcott* nor any other cited case supports the proposition that a purported assignment that was challenged in the pretrial order and never authenticated or offered into evidence can confer standing on Ajinomoto by virtue of its recordation with the PTO.[7] As succinctly summarized in a PTO rule cited

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[5] Ajinomoto's prominent footnote trumpeting the testimony that *one* falsified inventor's signature was authorized, *see* Opp. at 1 n.1, merely highlights the finding, undisputed below, that the signatures of several other of the fourteen inventors who supposedly assigned title to Ajinomoto had been falsified on other documents. *See* A. 116a. Notably, Ajinomoto does not claim any support in the record showing the signatures on the purported assignment to be genuine.

[6] Fed. R. Evid. 201(b) states: "A judicially noticed fact must be one not subject to reasonable dispute in that it is either (1) generally known within the territorial jurisdiction of the trial court or (2) capable of accurate and ready determination by resort to sources whose accuracy cannot reasonably be questioned."

[7] In *Hoganas AB v. Dresser Industries, Inc.*, 9 F.3d 948, 954 n.27 (Fed. Cir. 1993), and *Standard Havens Products, Inc. v. Gencor Industries, Inc.*, 897 F.2d 511, 514 n.3 (Fed. Cir. 1990), as in *Westcott*, the judicially noticed fact came from a document not only recorded with a government agency but also issued by that agency. And in *Vitek Systems, Inc. v. Abbott Laboratories*, 675 F.2d 190 (8th Cir. 1982), and *Welcome Co. v. Harriet Carter Gifts Inc.*, 50 U.S.P.Q.2d 1132 (C.D. Cal. 1998), there was similarly no question about the authenticity of the recorded document itself.

in the Petition (and ignored by Ajinomoto), the mere recording of a document with the PTO says nothing about either the validity of the document or "the effect that document has on the title to . . . a patent." PTO Rule 54 (37 C.F.R. § 3.54) (2000).

In sum, the Court of Appeals' conclusion that the Patent Act's specific and exceptionless requirement of statutory standing to sue on a U.S. patent could be dispensed with in favor of alternative criteria of standing—including grounds derived from the law of a foreign jurisdiction that confiscated all individual property and gave title to the State—was no mere error. Rather, it established a principle of law: that claims of ownership based wholly on the application of foreign law can supplant the standing requirements fixed by Congress. That principle threatens grave harm to Congress's carefully wrought scheme for resolving patent claims and places an unfair burden on accused infringers haled into court to defend charges launched by persons who lack the interest required to commence litigation.

DAMAGES

Ajinomoto argues that the Court of Appeals' decision affirming the award of damages for conduct never found to infringe does not merit review because (1) the Petition challenges only the period for which damages are owed and (2) the Court of Appeals properly affirmed the award under the abuse-of-discretion standard. As with its arguments on the standing issue, Ajinomoto uses a succession of misstatements and irrelevant citations to avoid the central issues presented and obfuscate their importance.

1. Ajinomoto mischaracterizes the Petition as challenging the period for which damages are due. *See, e.g.*, Opp. at 23 & n.12. Not so. The Petition challenges the award of damages for conduct never found to infringe; there is no dispute over

the period of time for which damages may be owed.[8] And although Ajinomoto liberally sprinkles the words "allegedly" and "supposedly" throughout its description of ADM's switch after trial to a noninfringing strain, *see, e.g.*, Opp. at 24, Ajinomoto never challenged the District Court's express finding that the vast majority of the threonine sold after trial was manufactured using a fourth strain that was *not* one of the three strains found to infringe. *See* A. 133a.[9] Although the District Court awarded damages on this noninfringing threonine, it was not because it found that the threonine was manufactured by an infringing strain (in fact it found otherwise). The District Court specifically held that ADM was paying royalties not for post-trial infringement, but as punishment for "that period of time it chose not to correct the record it created at trial." *See* A. 133a-34a.

2. One searches Ajinomoto's opposition in vain to find any discussion of how the Court of Appeals could affirm an exercise of discretion (to refuse to consider new evidence or

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[8] Contrary to Ajinomoto's implication, *see* Opp. at 23, reasonable royalty damages are not calculated simply by applying the royalty rate to a period of time. The royalty rate is properly applied only to product *that is the result of infringement*—in this case, threonine manufactured using one of the three strains found to infringe. That this appeal is not about the damages period, but about awarding damages on product not found to infringe, is also demonstrated by ADM's concession in the further trial court proceedings on damages, *see* A. 27a, that an award could properly include royalties for product manufactured after trial, in January 1997, using one of the three strains found to infringe.

[9] Ajinomoto goes to great lengths to argue that the original findings of the District Court, which were subsequently changed, *see* A. 132a-134a, had been supported by the evidence. *See* Opp. at 24-27. Not only is this argument irrelevant in light of the District Court's later findings, but it is simply wrong. As the District Court ultimately recognized, the evidence at trial in November 1996 on what strains were in use "now," "today" and "until the present" could not possibly support findings about what ADM was using for the year and a half that elapsed *after* trial until the District Court issued an opinion in March 1998.

amend findings on what strains ADM used after trial) that the District Court never made. The District Court did not "exclude" the evidence that ADM switched to a non-infringing strain after trial. It accepted the evidence, made new factual findings, and awarded damages anyway. Thus, Ajinomoto's arguments in defense of the District Court's supposed exercise of discretion to exclude that post-trial evidence, *see* Opp. at 26 (citing cases), miss the mark. Nor do any of the cited cases support Ajinomoto's assertion that ADM was obligated to reopen the trial record, *after the close of trial*, to supplement an accurate existing record with new, post-trial developments.[10]

While Ajinomoto cites to decisions in which the court of appeals affirmed the refusal to consider evidence after the entry of final judgment, Opp. at 27-28, those all involved a review of discretion that was actually exercised. *See, e.g.*, *Kiewit E. Co. v. L&R Constr. Co.*, 44 F.3d 1194, 1204 (3d Cir. 1995) (affirming district court's exercise of discretion in refusing to reconsider a waived claim). Contrary to Ajinomoto's position, the District Court did not refuse to reconsider the basis for its award. It changed its findings and made an award that far exceeds the limits of 35 U.S.C. § 284.[11] This

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[10] In each of the cases Ajinomoto cites, the disclosures that needed supplementation had become incomplete or incorrect before trial ended. *See, e.g.*, *Labadie Coal Co. v. Black*, 672 F.2d 92, 95-96 (D.C. Cir. 1982) (incomplete pretrial document production); *Weiss v. Chrysler Motors Corp.*, 515 F.2d 449 (2d Cir. 1975) (incomplete disclosure of expert opinions to be presented at trial). Here, ADM's disclosures were neither incomplete nor incorrect at any time through the end of trial.

[11] Ajinomoto further argues that the award did not constitute clear legal error. But neither Ajinomoto nor the Court of Appeals' opinion explains how a trial court's award of damages for conduct admittedly never found to infringe, under a statute that limits damages to infringement, *see* 35 U.S.C. § 284 (1994), could be anything but an error of law. In fact, while the Court of Appeals' opinion pays lip service to the need to review the award for legal error (which requires plenary review rather than review

case, which involved an abuse of the standard of review to affirm an exercise of discretion that was never made and an award plainly outside the limits of the Patent Act, falls squarely within that small set of cases that warrant this Court's exercise of its supervisory powers.

CONCLUSION

For the reasons stated above and previously, the Petition should be granted.

Respectfully submitted,

ARI S. ZYMELMAN
Counsel of Record
ELIZABETH B. LIN
WILLIAMS & CONNOLLY LLP
725 Twelfth Street, N.W.
Washington D.C. 20005
(202) 434-5000

Attorneys for Petitioner
Archer-Daniels-Midland Company

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for abuse of discretion), A. 20a, the Court of Appeals never addressed the District Court's finding that it was awarding damages on noninfringing product.